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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
UNS ELECTRIC, INC. FOR APPROVAL TO
REVISE ITS DSM SURCHARGE BEGINNING
JUNE 1, 2009

Docket No. E-04204A-06-0783

ACC Decision No. 70360

23 June 2009

**RESPONSE TO UNSE REPLY TO
MAGRUDER RESPONSE AND EXCEPTIONS
TO UNS ELECTRIC APPLICATION TO INCREASE ITS DSM SURCHARGE**

This filing is a Response is to today's UNSE Reply to the 17 July 2009 Magruder Response and Exceptions to the UNS Electric Application for Approval to Revise its DSM Surcharge beginning June 1, 2009, the Staff Report of 12 May 2009, and Demand Side Management Surcharge Rider R-2 of 1 May 2009, in ACC Docket E-04204A-06-0783 and ACC Decision No 70360. This filing covers the total UNS Electric DSM Programs.

Attachment A contains corrections or misstatements in the company's latest Reply.

The Magruder Response is discussed below. It should be noted that when the company did not respond to these very specific recommendations, that implies the company had no objection to the proposed Magruder Exceptions.

**MAGRUDER PROPOSED EXCEPTIONS
TO THE RECOMMENDED OPINION AND ORDER (ROO).**

No. 1 – **Consolidate DSM Program Information into One Binder.** No comments in reply.¹

No. 2 – **Increase Public Awareness Through Local Citizens Advisory Committees or Councils.** No comments in reply.²

No. 3 – **Increase DSM Status Reports Frequency and Audits** – No comments in reply.³

¹ Magruder Response and Exceptions to UNS Electric Application to Increase its DSM Surcharge, 17 June 2009, hereafter "Magruder Response", 10, paragraph 4, Exceptions (hereafter "Magruder Exception"), Exception 1 – Consolidate all DSM Program Information into ONE Binder, 10 and 6-7.

² Magruder Exception 2 – Increase Public Awareness Through Local Citizens Advisory Committees or Councils, 11-12 and 7.

No. 4 - Require **Annual Goals for every DSM Program**⁴ – No comments in reply.

No. 5 – **Add Creative, Innovative DSM and EE Programs**⁵ - No comments in reply.

No. 6 – **Establish Zero-Net Energy Home (ZEH) Efficiency DSM Programs**⁶ – Company comment was that the Staff is reviewing such a program.⁷

No. 7 – **Restore Direct Load Control DSM and Add New Pilot R&D Programs**⁸ –

Company comment was TEP is “pursuing a possible pilot residential DSM program to be in place before summer 2010.”⁹ No comments on Pilot R&D Programs.

No. 8 – **Synchronize the 2009 DSM Adjustor to Expire on 1 June 2010 with the Same Revenue for Company’s DSM Programs**¹⁰ - Company filed a new DSM Adjustor for the eleven months from 1 July 2009 to 1 June 2010.¹¹ The Magruder proposed DSM adjustor was erroneous. The company’s **\$0.000845/kWh** is appropriate. The Company’s DSM Adjustor provides \$1,420,406 for DSM Programs to 1 June 2010.

	UNSE
DSM Adjustor Rate (\$/kWh)	\$0.000845
Total Sales for 11 months ¹² (kWh)	1,680,953,671
Total Revenue for DSM programs (\$)	\$1,420,405.85

This changes, In Findings of Fact #9, should change the Table to read as:

Average monthly usage by Season	kWh	Monthly increase from Company present DSM Adjustor (\$0.000185)	Monthly total DSM Adjustor based on Company proposal (\$0.000845)
Summer	1083	\$0.20	\$0.92
Winter	665	\$0.12	\$0.56

³ Magruder Exception 3 – Increase DSM Status Reports Frequency and Audits, 11 and, 8.

⁴ Magruder Exception 4 – Require Annual Goals for Every DSM Program, 11 and 8.

⁵ Magruder Exception 5 – Add Creative Innovative DSM and EE Programs, 11-12 and 8.

⁶ Magruder Exception 6 – Establish Zero-Net Energy Home (ZEH) Efficiency DMS Program, 12 and 9.

⁷ UNSE Reply to Magruder Response and Exceptions to UNS Electric’s Application to Increase its DSM Surcharge, hereafter “UNSE Reply”, 3-4.

⁸ Magruder Exception 7 – Restore Direct Load Control DSM and Add New Pilot R&D Programs Programs, 12 and 9-10.

⁹ *Ibid.* 4.

¹⁰ Magruder Exception 8 – Synchronize the 2009 DSM Adjustor to Expire on 1 June 2010 with the same Revenue for the Company’s DSM Programs, 13.

¹¹ UniSource Energy Services letter “Demand Side Management Surcharge (DSMS) Rider R-2 of 1 May 2009, 4th page (not numbered)

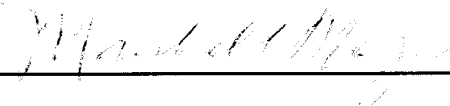
¹² UniSource Energy Services letter “Revised Demand Side Management Surcharge (DSMS) Rider R-2 of 16 June 2009.

The "ORDER" should be corrected to read with \$0.000845.¹³

Respectfully submitted on this 23rd day of June 2009 to all parties on the Service List.

MARSHALL MAGRUDER

By


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¹³ *Ibid.*

Corrections of Misstatements

This Response clarifies misstatements in the 22 June 2009 Company Reply to and in my 17 June 2009 Response to their Application, in order of appearance in the Company's Reply. Also, corrections, agreement with the company, comments deleted or changes are discussed.

First, my Response almost exclusively uses the company's facts and figures, with many footnotes indicating the basis. Stated ratios and percentages were derived from these company figures. As the First Exception requested, having all these programs in a single book (see **Exception No. 1**¹⁴) has many benefits that today's haphazard filing process.

Second, 2008 DSM Program Goals and Objectives.¹⁵

- a. The company's understanding of goal is not something that is the standard set for the company to achieve is equivalent to promoting false goals. When a "goal" is set, it is what should be accomplished. As was clear in 1.1, NO 2008 goals were met or even closely approached. How can the company, set a goal and then try to discredit the "percent accomplished" as not being true. These are the company' numbers, but when put forth in an understandable manner, the company comments are baseless.
- b. One program was approved in 1994, some in 2007 with 12-months to perform.
- c. Why did the company NOT inform anyone they could not meet the 2008 goals before April 2009?
- d. Don't blame Marshall Magruder for the company NOT achieving its own 2008 goals.
- e. See **Exception 4** that requires setting clear Annual Goals for each DSM Program.¹⁶
- f. See **Exception 3** to increase DSM Status Report Frequency and Audits.¹⁷

Third, Costs.¹⁸

- a. It is obvious in my Response that cost for accomplishments was "extraordinarily high", maybe astronomical might have been a better choice of words.
- b. In footnote 11 (with Table 1), the "five-year goals in the "DSM Program Plan" were annualized by dividing a five-year goal by five. No shorter-term goals were available.

¹⁴ Magruder Response and Exceptions to UNS Electric Application to Increase its DSM Surcharge, 17 June 2009, hereafter "Magruder Response", 10, paragraph 4, Exceptions (hereafter "Magruder Exceptions"), 4.1, Exception 1 – Consolidate all DSM Program Information into ONE Binder.

¹⁵ UNSE Reply to the "Magruder Response" in prior footnotes, hereafter "UNSE Reply", II.A, 2.

¹⁶ Magruder Exceptions, 11, 4.4, "Exception No. 4 – Require Annual Goals for Every DSM Program.

¹⁷ Magruder Exceptions, 11, 4.3, "Exception No. 3 – Increase DSM Status Report Frequency and Audits.

¹⁸ UNSE Reply, II.B, 2.

- c. No cost-breakouts were included for any 2009 programs in Application to increase cost. Without breakouts, only a program "total" can be used. This does not provide any insight to cost data for the Commission or Staff to assess, especially when goals of unsuccessful programs change.
- d. Yes, results are cumulative. "Five-year goals" are accomplished in 5 years, not lifetimes.
- e. The company Reply stated Magruder alleged Table 4 information had erroneous input data. This is correct. It compared "annual" performance. With lifetime results since 1994, for LIW program, were a few times its 2008 goal. This is way behind the performance curve.
- f. Obviously, **Exception 4** is clearly applicable to resolve this issue.

Fourth, Cost contradictions and inconsistencies.

- a. Company states this cost difference was due to filing the Semi-Annual Report (for Second half of 2008) on 1 April was due to a filing a week earlier on 24 March 2009, 10 weeks after 31 Dec.
- b. This difference was due to "extra expenses discovered between"¹⁹ these two filings. This clearly is a company error. The year 2008 ends on 31 December 2008 not in March or April.
- c. This calls for DSM Reports to be submitted near to the end of the reporting period, at 30 days instead of three months, to enforce better accounting and adds audits to prevent such "surprises."
- d. Magruder **Exception No. 3** should help to resolve.

Fifth, Double Counting Same Expenses.²⁰

- a. It is good business practice to avoid any opportunity to double charge. A company's investigation shows "significant" process controls are in place for DSM expense accounts. End of issue.

Sixth, \$61,400²¹ may have been derived during the analysis but was lost in editing. End of issue.

Seventh, Time of Use (TOU).²²

- a. My analysis concerning knowledge of TOU is subjective. I have yet to meet anyone in this county that knows TOU is available. The result is objective, zero percent know. This implies 8 months of publicity has been ineffective. The human outreach, as illustrated by the automobile sales approach, is basic marketing. Positive "Word of mouth" works better than "media" campaigns. Referencing the 'web' reaches a minority. DSL exists in few locations. In my experience with local taxpayers, few use the web to find out such information.
- b. The TOU billing flyer, as stated in my Reply, lacked basic information.
- c. The present residential or commercial TOU rate structures have NOT been provided to ratepayers. That should be a critical element of any education and outreach program.

¹⁹ UNSE Reply, 3

²⁰ UNSE Reply, II.B, 2.

²¹ *Ibid.* 3.

²² UNSE Reply, II.C, 3.

- d. It is a shame the public did NOT participate in the development of the existing TOU rate structure that the company now feels the TOU rate structure is why TOU has failed at UNSE.
- e. One purpose of Citizens Advisory Committees or Councils (CAC) is to give ratepayers a preview of company filings and to discuss demand side management programs.²³ If the company intends to modify its TOU billing structure, preliminary discussions should also be conducted at CACs to determine public perceptions, ways to involve local participation, and how to obtain acceptance.
- f. See Magruder **Exception No. 2** to Increase Public Awareness Through Local Citizens Advisory Committees or Councils.²⁴

Eight, Zero-Net Energy Homes.²⁵

- a. The company Zero-Net Energy Home program did not meet TRC that was not justification to fail to propose a 100% Zero-Net Energy Home DSM. The company filing confirmed. End of issue.
- b. The model inputs errors primary are in using incorrect electricity rates from the company tariffs.
- c. The 3.3% line losses are from testimony 2 weeks ago in Line Siting Case. The 10.96% line loss, from a rate case over a decade ago, is from WAPA to ratepayer. With correction in the Company Reply, total line loss is 14.26% (3.3+10.96), thus 14.26% is the correct input, not 10.96%.
- d. This party understands a Zero-Net Energy Home study is under evaluation. If corrections were made now, then maybe so the Staff will not make errors in its analysis.
- e. Further, expanding this program for existing homes should be very beneficial.
- f. Magruder **Exception No. 6** requests to Establish Zero-Net Energy (ZEH) Efficiency Programs.

Nine, Recommendations.²⁶

- a. Each program was analyzed in some detail in a separate Attachment, obviously overlooked, where accounting data are presented in a table for most DSM programs.
- b. The calculations for DSM surcharge used all the Company's requirements. Nothing was deleted.
- c. The cost/benefit analysis in Attachment 1, summarizes step by step in Tables 1 to 4, all company information, clearly show the cost and result ineffectiveness the 2008 DSM program. These must not have been used in company Response nor have footnotes been noted.
- d. The company's DSM Programs do not have Annual electricity and environmental goals.
- e. DLC is the only program to reduce peak demand and deleting this program without another is concern. DLC leads to smart metering with many benefits. Thanks for revival.
- f. Magruder **Exception No. 7** – Restore Direct Load Control and Add New Pilot R&D Programs and Magruder **Exception No. 5** – Add Creative, Innovative DSM and EE Programs.

²³ ACC Order No. 61793, 2 November 1999, established a CAC for the Santa Cruz service area, last met in 2001.

²⁴ Magruder Exception, No. 2 – Increase Public Awareness through local Citizens Advisory Committee or Council.

²⁵ UNSE Reply, II.C, 3 and 4.

²⁶ UNSE Reply, II.D, 4